

## Message Text

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ACTION EB-03

INFO OCT-01 SS-14 ISO-00 L-01 EA-06 NSC-05 NSCE-00 DODE-00

CIAE-00 INR-05 /035 W

----- 010548

R 040937Z MAR 75

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 1254

INFO AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 1 OF 2 BANGKOK 3588

LIMDIS

E.O. 11652: GDS

TAGS: EAIR, THA

SUBJ: CIVAIR: SUGGESTED NEGOTIATION STRATEGY

REF: A. STATE 3236; B. BANGKOK 695; C. BANGKOK 534; D. STATE 30848

1. SUMMARY. WE BELIEVE WE ARE ON COLLISION COURSE WITH RTG IN CIVIAIR FIELD WITH RESULT THAT U.S. AIRLINE INTERESTS COULD BE SEVERELY DAMAGED. STICKING POINT FOR RTG PROBABLY CONTINUES TO BE GUAM- JAPAN ROUTE, BUT WE BELIEVE WE MIGHT BE ABLE TO MAINTAIN, AND POSSIBLY IMPROVE, BANGKOK RIGHTS FOR U.S. AIRLINES BY OFFERING GUAM-FUKUOKA IN LIEU OF GUAM - TOKYO ROUTE THAIS HAVE REQUESTED. EMBASSY COULD PORTRAY GUAM-FUKUOKA OFFER TO THAI OFFICIALS AND PUBLIC AS LEGITIMATE USG EFFORT TO MEET RTG ASPIRATIONS FOR GUAM- JAPAN SERVICE. SHOULD RTG REJECT OFFER AND DECIDE INSTEAD TO CUTBACK U.S. SERVICES, GUAM-FUKUOKA OFFER WOULD AT LEAST GIVE US PLATFORM ON WHICH TO STAND IN SEEKING TO PERSUADE MFA AND OTHER GOVERNMENT LEADERS TO RESTRAIN, AND HOPEFULLY OVERRULE, DR. SIRILAK.  
END SUMMARY.

2. IF U.S. AIRLINES ARE PREPARED TO LIVE WITH CONSEQUENCES OF USG REFUSAL TO RETURN TO NEGOTIATING TABLE HERE(REF D), WE ASSUME THAT IS THE ROUTE WE WILL HAVE TO FOLLOW. HOWEVER, WE CONTINUE TO BELIEVE SUCH ACTION WILL PUT US  
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ON COLLISION COURSE WITH RTG WITH RESULT THAT OUR AIRLINE

INTERESTS HERE COULD BE SEVERELY DAMAGED. WE HAVE NO DOUBT, AS WE FEAR PANAM DOES, THAT UNDER SECRETARY OF COMMUNICATIONS SIRILAK, WHO SITS ON THAI INTERNATIONAL'S BOARD OF DIRECTORS, HAS THE AUTHORITY AND THE INTENTION TO COME DOWN HARD ON U.S. AIRLINE OPERATIONS IF RTG'S MINIMUM OBJECTIVES ARE NOT MET BY USG. ALSO, WE BELIEVE THAT SHOULD CONFRONTATION BECOME A FACT OF LIFE, ANY SUBSEQUENT AGREEMENT WITH THE RTG TO RESTORE SERVICES WOULD PROBABLY BE ON TERMS FOR LESS FAVORABLE THAN OUR AIRLINES ENJOY HERE NOW. IN ORDER HELP DEPART-

MENT MAKE DECISION, WE OFFER FOLLOWING THOUGHTS.

3. AIR SIAM, WHICH IS PRIVATE AIRLINE, IS HAVING FINANCIAL PROBLEMS (BANGKOK 2488), AND PROBABLY NEEDS ACCESS TO LONG-HAUL ROUTES TO EUROPE IN COMPETITION WITH THAI INTERNATIONAL IN ORDER TO SURVIVE. MANY THAI BUREAUCRATS, AMONG THEM DR. SIRILAK, OPPOSE DESIGNATING AIR SIAM ON THAI INTER'S ROUTES. BUT SIRILAK IS UNDER PRESSURE FROM OTHER BUREAUCRATS, AMONG THEM POWERFUL DIRECTOR OF BUREAU OF BUDGET WHO IS MAJOR STOCKHOLDER IN AIR SIAM, AND FROM MEMBERS OF ROYAL FAMILY, TO SECURE NEW ROUTES FOR AIR SIAM. STRENGTH OF PRESSURE IS REFLECTED IN FACT THAT IN NOVEMBER TALKS ONLY SERIOUS ISSUE PREVENTING AGREEMENT WAS USG REFUSAL TO GRANT TOKYO-GUAM RIGHTS WHICH RTG SEEKS FOR OPERATION BY AIR SIAM.

4. TECHNOCRATS HAVE PROPOSED MERGER OF TWO AIRLINES, WHICH IS MAJOR AIR SIAM OBJECTIVE BUT ANATHHEMA TO THAI INTERNATIONAL. OBVIOUS WAY FOR DR. SIRILAK TO REDUCE PRESSURE ON HIMSELF IS TO SEEK ALTERNATIVE ROUTES FOR AIR SIAM. IN THIS SEARCH HE IS PREPARED FOR CONFRONTATION WITH USG, SINCE THAI INTERNATIONAL HAS NO U.S. ROUTES, AND AIR SIAM MIGHT WELL SUFFER FATAL FINANCIAL DAMAGE AT OUR HANDS IF RTG ASSAULT ON PANAM SERVICES TRIGGERS RETALIATION BY USG. HOWEVER, FOR PRACTICAL POLITICAL PURPOSES CONFRONTATION MUST APPEAR TO STEM FROM USG INTRANSIGENCE, AND DR. SIRILAK HAS FOUND FORMULA IN THE 10-1 REVENUE ADVANTAGES OUR AIRLINES ENJOY HERE BALANCED AGAINST OUR REFUSAL TO GRANT TOKYO-GUAM RIGHTS TO RTG.

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MOREOVER, REDUCTION IN LEVEL OF U.S. AIRLINE SERVICES HERE MIGHT WELL RESULT IN DIVERSION OF SOME TRAFFIC TO THAI INTERNATIONAL; SO SIRILAK WOULD WIN EITHER WAY. UNDER-PINNING ALL THIS ARE GENUINE FEELINGS ON THE PART OF DR SIRILAK AND OTHER THAIS THAT OUR AVIATION BILATERAL IS ANOTHER OF THE "UNEQUAL TREATIES" THAILAND HAS BEEN IN PROCESS OF AMENDING FOR MANY YEARS.

5. WE ARE NOT CERTAIN THAT THAIS WOULD BE WILLING TO SETTLE NOW, AS THEY WOULD HAVE LAST NOVEMBER, FOR GUAM-JAPAN AND SIAM -AMERICAN SAMOA RIGHTS IN EXCHANGE FOR RETENTION, AND HOPEFULLY EXPANSION, OF U.S. AVIATION RIGHTS HERE. FACT IS, ABILITY OF RTG TO CUT OFF PAA'S FLIGHTS 841/842/ WITH IMPUNITY IN SEPTEMBER 1974 (AND TO REJECT OUR REPEATED REQUESTS FOR "PERMISSION" TO RESUME THESE FLIGHTS), TOGETHER WITH RAPID CAPITULATION BY PAA TO LABOR PRESSURES HERE(REF C) HAVE REINFORCED THAI BELIEFS REGARDING HIGH VALUE U.S. AIRLINES PLACE ON BANGKOK RIGHTS. AS RESULT, PRICE FOR EVEN MAINTAINING STATUS QUO FOR OUR CARRIERS MAY WELL HAVE GONE UP SINCE NOVEMBER. WE ARE CERTAIN THE PRICE HAS NOT GONE DOWN, AND ARE CONFIDENT THAT IN ABSENCE ADEQUATE QUID PRO QUO, RTG WILL NOT AUTHORIZE ADDITIONAL FREQUENCIES PANAM HAS SCHEDULED FOR EARLY APRIL (BANGKOK 2687).

6. DESPITE UNCERTAINTIES, WE SHOULD STILL ASSUME MINIMUM OBJECTIVES ON WHICH RTG IS PREPARED TO DO A DEAL ARE GUAM-JAPAN AND GUAM- AMERICAN SAMOA ROUTES. BASED ON THAT ASSUMPTION, WE SHOULD LOOK ON CAB'S AMENDMENT OF AIR SIAM'S 402 PERMIT IN JANUARY 1975 TO INCLUDE FUKUOKA AS IMPORTANT NEW ELEMENT IN USG-RTG CIVIL AIR PICTURE, AND SHOULD SEEK TO CAPITALIZE ON THAT FACT. THUS, IF, AS WE BELIEVE TO BE THE CASE, A GUAM-JAPAN ROUTE FOR RTG IS THE PRICE PAN AMERICAN MUST PAY TO RETAIN BASICALLY UNRESTRICTED ACCESS TO BANGKOK, WE SHOULD AT APPROPRIATE TIME OFFER THAIS GUAM-FUKUOKA ROUTE AS SURROGATE FOR GUAM-TOKYO.

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ACTION EB-03

INFO OCT-01 SS-14 ISO-00 L-01 EA-06 NSC-05 NSCE-00 DODE-00

CIAE-00 INR-05 /035 W

----- 010492

R 040937Z MAR 75

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 1255

INFO AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 2 OF 2 BANGKOK 3588

LIMDIS

7. SHOULD RTG REJECT GUAM-FUKUOKA OFFER, USG COULD WITH JUSTICE POINT TO INCONSISTENCY OF RTG POSITION WHICH (A) ASKS USG TO PERMIT AIR SIAM TO OPERATE TO HONOLULU-LOS ANGELES VIA FUKUOKA, BECAUSE SLOT TIMES FOR SUCH SERVICE NOT AVAILABLE AT TOKYO, THEN (B) INSISTS THAT USG GRANT RTG NEW ROUTE FOR AIR SIAM TO TOKYO FROM U.S. TERRITORY (GUAM). IN SUM, THEY CAN'T HAVE IT BOTH WAYS.

8. WE BELIEVE EMBASSY COULD DEFEND GUAM-FUKUOKA OFFER TO FOREIGN MINISTRY AND OTHER RTG OFFICIALS AND TO PUBLIC OPINION HERE AS LEGITIMATE EFFORT BY USG TO MEET THAT ASPIRATIONS FOR GUAM-JAPAN ROUTE (WHILE PAA WOULD STILL BE SHIELDED AGAINST POTENTIAL COMPETITIVE IMPACT ON GUAM-TOKYO). THIS OFFER WOULD MEET MINIMUM POLITICAL NECESSITIES OF OUR SITUATION, A LUXURY WE HAVE NOT ENJOYED IN THE PAST. IN PRACTICAL TERMS IT WOULD GIVE US A PLATFORM ON WHICH TO STAND IN SEEKING TO PERSUADE OFFICIALS IN MFA AND OTHER MINISTRIES TO TRY TO OVERRULE SIRILAK.

9. SHOULD RTG NONETHELESS REMAIN COMMITTED TO QUEST FOR GUAM-TOKYO ROUTE, IT WOULD BE UP TO PAA (AND FLYING TIGER) TO DECIDE WHETHER TO RISK LOSING SOME OR ALL BANGKOK SERVICES, AND ABANDON HOPES FOR ACQUIRING FIFTH FREEDOM CARGO RIGHTS HERE, IN ORDER TO KEEP AIR SIAM OUT CONFIDENTIAL

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OF GUAM-TOKYO ROUTE ( WHICH, IT SHOULD BE NOTED , JAPANESE MIGHT MERE DIFFICULT OR IMPOSSIBLE FOR AIR SIAM TO OPERATE, IF ACQUIRED, AS RESULT TOKYO SLOT TIME PROBLEM). ALSO, THE SLOT TIME PROBLEM ASIDE, WE THINK RTG WOULD ACCEPT REASONABLE RESTRICTIONS ON OPERATION OF GUAM-JAPAN ROUTE. FINALLY RE REF D, PARA 3, WE FEEL CONFIDENT THAIS HAVE NO RPT NO DEEP INTEREST IN ADDITIONAL U.S. POINTS, AND FAIL TO SEE THAT OUR POSITION OR INTERESTS WOULD BE COMPROMISED BY TESTING THE WATER TO SEE WHETHER RTG WOULD DO A REASONABLE DEAL IF OFFERED JAPAN-GUAM TRAFFIC RIGHTS.

10. WE UNDERSTAND, AND SYMPATHIZE WITH, PAA'S DESIRE TO KEEP AIR SIAM OUT OF GUAM-JAPAN MARKET, BUT IT WOULD ALSO BE AGREEABLE IF AER LINGUS, EL AL, AND OTHER FOREIGN AIRLINES COULD BE KEPT OUT OF U.S. MARKET. FACT IS, UNLIKE SITUATIONS INVOLVING AER LINGUS AND EL AL, FOR EXAMPLE, WHICH OVERTURN COMPETING U.S. AIRLINES BY WHOPPING MARGINS WHILE THEIR GOVERNMENTS USE ALL MEANS TO HAMPER U.S. AIRLINES, OR AIRLINES, SCHEDULED AND SUPPLEMENTARY, ENJOY IN BANGKOK A COMBINATION OF ACCEPTABLE OPERATING

CLIMATE AND FAVORABLE REVENUE AND PAYMENT BALANCES PROBABLY UNEQUALED ANYWHERE IN THE WORLD. THE THAIS KNOW THIS, AND ARE DETERMINED NOT ONLY TO OBTAIN ADDITIONAL ROUTE RIGHTS FOR THEIR CARRIERS AS QUID PRO QUO, BUT TO "EQUALIZE" A "TREATY" THEY VIEW AS HIGHLY INEQUITABLE.

11. IF COURSE OF ACTION PROPOSED IN PARA 5-10 IS FEASIBLE IN WASHINGTON CONTEXT, WE BELIEVE USG COULD, AND SHOULD, (A) SEEK TO EXTRACT FROM RTG FORMAL COMMITMENT FOR AUTHORITY, SUBJECT TO EXPOST FACTO CONSULTATION, TO INCREASE COMBINATION CAPACITY AND FREQUENCIES, SUCH AS PAA SCHEDULE ENVISIONED FOR APRIL 9, ON BASIS AIRLINE MANAGEMENT JUDGEMENT AND (B) SEEK REMOVAL, OR AT LEAST RELAXATION TO SIGNIFICANT DEGREE, OF RESTRICTIONS ON FIFTH FREEDOM CARGO OPERATIONS BY U.S. AIRLINES HERE. (WE COULD ALSO DISCUSS TRAFFIC QUOTAS, BUT THAIS WANT THEM FOR POLICY REASONS, AND QUOTAS HAVE PRACTICAL EFFECT.) WE WOULD ALSO LIKE TO SEE FINAL SETTLEMENT INCLUDE MORATORIUM ON ROUTE REQUESTS FOR, SAY, MINIMUM OF 2-3 YEARS.

12. AS NEXT IMMEDIATE DEVELOPMENTS, WE ANTICIPATE (1)  
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PANAM REQUEST FOR ADDITIONAL FREQUENCIES BEGINNING IN APRIL, BASED IN PART ON TA'S WITHDRAWAL FROM THIS MARKET, WILL BE FLATLY REJECTED BY RTG AND (2) RTG WILL INSTEAD SUGGEST DATE FOR THIRD ROUND OF NEGOTIATIONS, IN ACCORDANCE WITH DEPARTMENT'S PROPOSAL IN JANUARY (STATE 19298), AND EXPRESS WILLINGNESS TO DISCUSS ADDITIONAL FREQUENCIES AT SUCH MEETING.

13. PERIOD IMMEDIATELY AHEAD WILL BE EXTREMELY SENSITIVE AS NEW GOVERNMENT FACES STRONG PRESSURE FOR WITHDRAWAL US MILITARY (GOVERNMENT POLICY STATEMENT JUST ISSUED PROVES FOR TOTAL WITHDRAWAL WITHIN 18 MONTHS), CANCELLATION TEMCO TIN MINING CONCESSION, AND OTHER MANIFESTATIONS OF NATIONALISM. CIVAIR RELATIONS ARE POSSIBLY MOST VULNERABLE TO ULTRA-NATIONALIST SENTIMENTS BECAUSE OF DEMONSTRABLE IMBALANCE BETWEEN US CARRIER REVENUES AND THAI REVENUES. IN WEIGHING FINAL USG CIVAIR POSTURE, DEPARTMENT SHOULD CONSIDER IMPACT OUR RIGID POSITION ON OVERALL US INTERESTS IN THAILAND DURING ITS TURBULENT TRANSITION.  
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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AIR ROUTES, NEGOTIATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 04 MAR 1975  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975BANGKO03588  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750075-0435  
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**Office:** ACTION EB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** LIMDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** LIMDIS  
**Reference:** 75 STATE 3236, 75 BANGKOK 695, 75 BANGKOK 534, 75 STATE 30848  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 15 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <15 JUL 2003 by BoyleJA>; APPROVED <16 JUL 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CIVAIR: SUGGESTED NEGOTIATION STRATEGY  
**TAGS:** EAIR, TH, US, PANAM, AIR SIAM, THAI INTERNATIONAL AIRLINES  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006